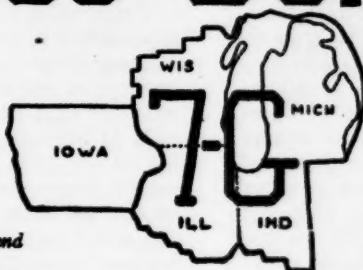


BUSINESS CONDITIONS

SEVENTH
FEDERAL



RESERVE
DISTRICT

EUGENE M. STEVENS, Chairman of the Board and
Federal Reserve Agent
CLIFFORD S. YOUNG, Asst. Federal Reserve Agent

GEORGE A. PRUGH, Asst. Federal Reserve Agent
HARRIS G. PETT, Manager
Division of Research and Statistics

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General Summary

MODERATE improvement, though not general and though due in certain phases to seasonal factors, took place during August in manufacturing and merchandising activity of the Seventh district.

Orders booked by steel and malleable casting foundries expanded sharply, and production increased, while the gain in tonnage of malleable castings shipped and the slight decline in that of steel castings were seasonal in nature. The increase in shipments of stoves and furnaces was greater than usual for the month. Furniture manufacturers had heavier orders, contrary to trend, and their shipments and production likewise increased. Shoe and leather production gained markedly over a month previous; building construction showed a small upturn; and the movement of building materials in August was somewhat better. Output of automobiles, on the other hand, was reduced further during the period, and steel production failed to expand. Several groups reporting employment data had gains in both the number of men employed and wage payments, but the decline in the automobile industry effected a decrease in the totals.

Production and sales of packing-house products were heavier in August than a month previous, and production recorded a gain over a year ago. The manufacture and distribution of butter and cheese showed declines in the monthly comparison, though the reduction in butter production was smaller than usual and the volume equaled that of last August. The movement of wheat remained limited during August, while that of oats was heavy; corn receipts expanded sharply, contrary to trend, but shipments were unusually low for the month. Crop yields in the Seventh

district in most instances have been better than expected; autumn operations on farms are now well under way.

Following a low level of activity in July, the distribution of commodities in the Seventh district expanded during August. The wholesale grocery, drug, dry goods, shoe, and hardware trades reported larger sales, gains in the first four groups being greater than usual and that in hardware contrary to trend; the wholesale electrical supply trade experienced a small recession in sales volume. Department store trade expanded seasonally during the period, as did the retail furniture trade; the retail shoe trade also gained, but chain store sales recorded small declines. Distribution of new automobiles at wholesale increased in August, and the dollar value of those sold to consumers gained moderately.

In financial phases may be noted a further expansion during August in commercial paper sales and a considerable increase in financing by means of bankers' acceptances, also the greater activity and higher prices which characterized the bond market. Member bank use of reserve bank credit between August 17 and mid-September was further reduced owing, as in the preceding period, to a decrease in the demand for currency and an excess of local Treasury expenditures over receipts. Loans and investments of reporting member banks in the district continued to decline, while their demand deposit liabilities gained somewhat during the period and time deposits declined slightly.

Credit Conditions and Money Rates

Borrowings of member banks at the Reserve bank decreased $3\frac{1}{2}$ million dollars during the period August 17

FEDERAL RESERVE BANK OF CHICAGO, SELECTED ITEMS OF CONDITION

(Amounts in millions of dollars)

	SEPT. 14 1932	AUG. 17 1932	SEPT. 16 1931
Total Bills and Securities.....	\$295.8	\$-16.5	\$+145.6
Bills Discounted.....	29.2	-3.5	+3.6
Bills Bought.....	4.3	-0.5	-22.2
U. S. Government Securities.....	262.3	-12.5	+166.0
Total Reserves.....	745.6	+3.9	+54.6
Total Deposits.....	307.5	+5.7	-50.9
Federal Reserve Notes in Circulation.....	699.2	-18.9	+252.1
Ratio of Total Reserves to Deposit and Federal Reserve Note Liabilities Combined.....	74.0	+1.3*	-11.7*

*Number of Points.

CONDITION OF REPORTING MEMBER BANKS, SEVENTH DISTRICT

(Amounts in millions of dollars)

	SEPT. 14 1932	AUG. 17 1932	SEPT. 16 1931
Total Loans and Investments.....	\$2,230	\$-73	\$-832
Loans on Securities.....	701	-49	-337
All Other Loans.....	821	-60	-310
Investments.....	708	+36	-185
Net Demand Deposits.....	1,209	+15	-537
Time Deposits.....	907	-2	-271
Borrowings from Federal Reserve Bank.....	8	0	-3

to September 14. An excess of local Treasury expenditures over receipts of almost 28 millions and a decrease of more than 20 millions in demand for currency were the only factors making for lessened recourse to the Reserve bank. Offsetting these developments to a considerable extent were 21 million dollars in funds lost through inter-district settlements for commercial and financial transactions, 12½ millions less in holdings of U. S. securities by the Reserve bank (local transactions), and a gain of nearly 8 millions in member bank reserve balances. These three items, however, together with four others of smaller amounts, totaled less than those making for decreased borrowing, resulting in the decrease of loans to member banks during the period. The accompanying table sets forth in detail the analysis of factors influencing the volume of member bank recourse to the Reserve bank.

FACTORS IN MEMBER BANK BORROWING AT THE FEDERAL RESERVE BANK OF CHICAGO

Changes between August 17 and September 14, 1932 (In millions of dollars)	
Changes making for decrease in member bank borrowing:	
1. Excess of local Treasury expenditures over receipts	27.77
2. Decrease in demand for currency	20.25
Total	48.02
Changes making for increase in member bank borrowing:	
1. Funds lost through inter-district settlements for commercial and financial transactions	21.24
2. Decrease in holdings of U. S. securities by Reserve bank (local transactions)	12.50
3. Increase in member bank reserve balances	7.82
4. Decrease in reserve bank float	1.17
5. Increase in unexpended capital funds	1.14
6. Decrease in holdings of acceptances by Reserve bank (local transactions)	0.52
7. Increase in non-member clearing balances	0.07
8. Sales of gold to industry	0.06
Total	44.52
Excess of changes making for decrease in member bank borrowing:	3.50
Absorption of this excess: Decrease in member bank borrowings (discounts for member banks)	3.50

MEMBER BANK CREDIT

Total loans and investments of reporting member banks in the district on September 14 decreased 73 million dollars from August 17; of this decline 49 million dollars was recorded in loans on securities and 60 millions in all other (commercial) loans; these declines, however, were offset to some extent by a rise of 36 millions in investments. Net demand deposits, amounting to \$1,209,000,000 on September 14, were 15 million dollars above the aggregate reported on August 17, and time deposits were slightly reduced. As against the aggregates on September 16, 1931, total loans and investments on September 14 of this year recorded a decrease of 832 millions, representing reductions of 337 millions in loans on securities, 310 millions in all other loans, and 185 millions in investments. Net demand and time deposits showed somewhat smaller declines from the preceding year than were shown on August 17.

Customers' commercial loans in Chicago during the week ended September 15 carried a rate of 4 to 5 per cent, compared with a range of 4¼ to 5 during the corresponding week in August. The average rate earned on loans and discounts by down-town Chicago banks during

VOLUME OF PAYMENT BY CHECK, SEVENTH DISTRICT (Amounts in millions of dollars)

	AUG. 1932	PER CENT OF INCREASE OR DECREASE FROM	
		JULY 1932	AUG. 1931
Chicago	\$1,977	+ 4.4	-27.7
Detroit, Milwaukee, and Indianapolis	745	-11.1	-30.0
Total four larger cities	\$2,722	-0.4	-28.4
32 smaller centers	434	-9.9	-35.4
Total 36 centers	\$3,156	-1.8	-29.4

the calendar month of August was 4.60 per cent, compared with 4.67 per cent in July and 4.13 per cent in August 1931. In Detroit, customers' commercial loans were quoted at 5½ to 6 per cent during the week ended September 15.

Dealer sales of commercial paper in the Middle West expanded 26½ per cent in August over July—contrary to seasonal trend—and were at a higher level than for any previous month since May. Furthermore, the declines of 44½ per cent from last year and 78 per cent from the 1923-31 average were less than evidenced in the preceding period. The improvement largely reflected increased supply, as demand continued to be restricted to a limited number of banks. Although selling rates ranged from 1¾ and 2 per cent for prime obligations to 2¼ and 3 per cent for less prominent paper, the bulk of transactions took place at 2 to 2½ per cent. August 31 marked the first increase in outstandings since the beginning of June, but the aggregate value of these obligations was 45 per cent lower than reported for the corresponding date of 1931. Borrowing during the first half of September fell off to such an extent that sales totaled 17½ per cent smaller than in the corresponding weeks of August. A range of 1¾ to 2½ per cent in selling quotations was reported on September 15.

Dealer purchases of bankers' acceptances in the Chicago bill market remained almost negligible during the five weeks ended September 14, but receipts from Eastern centers increased moderately, so that the total supply of bills was 27 per cent greater than in the preceding period, though it fell 54 per cent below the level of a year ago. Distribution to local banks, out-of-town buyers, and to Eastern markets expanded slightly, absorbing all current offerings; dealers, consequently, held no acceptances in portfolios on September 14. Selling rates ranged from ¾ per cent for 30-day maturities to 1½ per cent for those of 180 days.

AVERAGE WEEKLY TRANSACTIONS OF REPORTING DEALERS IN THE CHICAGO BILL MARKET

August 11 to September 14, 1932		
PER CENT CHANGE IN COMPARISON WITH PERIOD FROM JULY 14 TO AUGUST 10		
	1932	1931
Bills purchased	+121.2	-87.7
Bills sold	+17.5	+52.8
Holdings*	.....	.....

*Holdings nil on September 14, 1932.

Coincident with the marked expansion shown during August in new financing by means of bankers' acceptances in the Seventh district, the direct discounting of these bills at banks where they originated increased over July to such a degree that total purchases—despite limited operations in bills of other banks—not only exceeded those of any period since February but also were 13 per cent heavier than the 1923-31 seasonal average. This improvement, however, did not bring the aggregate up to the high level of last August. Inasmuch as sales remained almost negligible and failed to keep pace with the increased supply, bill holdings of accepting banks in this district rose \$12,000,000 to a point higher than for any other reporting date within a year. Maturities exceeded the amount of new bills created during the month, so that the liability for outstandings was further reduced to a relatively low level on August 31. During the first half of September, the value of bills presented for bank acceptance declined 25 per cent as compared with the corresponding weeks of August.

**TRANSACTIONS IN BANKERS' ACCEPTANCES AS REPORTED BY
A SELECTED LIST OF ACCEPTING BANKS IN THE
SEVENTH DISTRICT**

	PER CENT CHANGE IN AUGUST 1932 FROM JULY 1932	AUGUST 1931
Total value of bills accepted.....	+69.3	-6.0
Purchases (including own bills dis- counted).....	+26.7	-41.0
Sales.....	+89.6	-59.6
Holdings*.....	+53.5	-43.9
Liability for outstandings*.....	-1.2	-26.7

*At end of month.

SECURITY MARKETS

Increased activity, accompanied by a steady gain in prices, prevailed through most of August in the Chicago bond market. Second grade rail and public utility issues were leaders in the price advance. The volume of new underwritings during August continued light, as in previous months, and was confined mainly to fairly high grade utility bonds and municipals. During the last few days of August and the first part of September, the market turned slightly reactionary and prices drifted downward, mainly in the second and low grade issues. Highest grade bonds of all classes were firm. Prices on the Chicago Stock Exchange, after improving gradually during July, increased with greater acceleration in August and the first week in September. On September 7, the average price of twenty leading stocks* amounted to \$27.27, which was the highest figure since March 22 and compared with \$22.33 on August 8.

*Chicago Journal of Commerce.

Agricultural Products

Most autumn crops in the Seventh Federal Reserve district are yielding considerably better than was expected earlier this season. Government estimates, reflecting increases brought about by the almost ideal weather conditions which prevailed in August, were revised upward for the district on September 1 from the preceding month in the amount of 45,000,000 bushels for corn, 10,000,000 bushels for oats, 2,500,000 bushels for potatoes, and 300,000 tons for hay. After reaching an early maturity,

CROP PRODUCTION
Estimated by the United States Bureau of Agricultural Economics on the basis of September 1 condition.
(In thousands of bushels unless otherwise specified)

	SEVENTH DISTRICT FORECAST 1932	FINAL 1931	FORECAST 1932	FINAL 1931	UNITED STATES AVERAGE 1924-28
Corn.....	1,032,115	887,842	2,854,307	2,563,271	2,625,063
Oats.....	524,166	469,972	1,244,781	1,112,037	1,277,127
Winter Wheat.....	45,527	73,636	441,788	789,462	548,632
Spring Wheat.....	3,330	3,623	272,750	104,742	280,044
Barley.....	56,882(a)	49,467(a)	302,666	198,185	218,868
Rye.....	8,189(a)	7,523(a)	42,453	32,514	44,081
Buckwheat.....	826(a)	665(a)	7,233	8,938	11,792
Flaxseed.....	305(b)	250(b)	13,310	11,071	23,287
Potatoes (white).....	57,091	50,418	356,746	375,518	361,115
Potatoes (sweet).....	1,445(c)	1,476(c)	76,232	62,904	57,822
Sugar Beets ¹	944(d)	581(d)	8,206	7,903	7,389
Apples (total crop).....	12,141(a)	25,382(a)	138,461	202,415	180,262
Peaches.....	2,132(e)	7,838(e)	46,438	76,586	56,821
Pears.....	959(e)	1,602(e)	22,174	23,346	21,484
Cranberries ²	50(f)	45(f)	527	651	588
Grapes ³	87(a)	74(a)	2,093	1,622	2,339
Dry Beans ⁴	3,904(g)	3,333(g)	9,907	12,713	.....
Tobacco ⁵	33,943	48,904	1,027,947	1,600,910	1,298,947
All Tame Hay ⁶	13,015	11,939	68,587	64,213	73,759
Wild Hay ⁷	512(a)	429(a)	11,414	8,125	12,000
Tomatoes for Table Use.....	1,743(e)	1,353(e)	18,881	16,796	.....
Canning Crops.....	.....	.....	.....	.....	.....
Snap Beans ¹	11(h)	16(h)	45	70	.....
Sweet Corn ¹	139(a)	408(a)	344	774	.....
Green Peas ¹	110,792(i)	156,316(i)	219,777	293,877	.....
Tomatoes ¹	300(e)	251(e)	1,158	982	.....
Broom Corn ¹	5(j)	8 1/4(j)	37	44 1/4	51

¹In thousands of tons. ²In thousands of barrels. ³In thousands of 100-lb. bags. ⁴In thousands of pounds. (a) Five States including Seventh Federal Reserve district. (b) Iowa, Wisconsin. (c) Indiana, Illinois, Iowa. (d) Michigan. (e) Michigan, Illinois, Indiana, Iowa. (f) Wisconsin. (g) Michigan, Wisconsin. (h) Wisconsin, Michigan, Indiana. (i) Wisconsin, Illinois, Indiana, Michigan. (j) Illinois.

corn not only has dried out rapidly this year but is of excellent quality; September 20 found four-fifths of the crop safe from possible frost and much good seed already saved. Silos are being filled, the cutting of corn has started, fruit is being gathered, and other autumn operations on the farm are well under way. Reports indicate that farmers of the district intend to plant a slightly larger acreage to winter wheat and a somewhat smaller area to rye than in 1931.

GRAIN MARKETING

Following relatively small marketings in the preceding month, receipts of wheat at interior primary markets in the United States declined less than a seasonal amount in August. The total July-August movement, however, aggregated 50 per cent less than either a year ago or the 1927-31 average, inasmuch as growers have been extremely slow this year in marketing the light crop of winter varieties. Shipments from these centers, though greater than for any month since last November, remained in limited volume as a result of good harvests in importing countries, a fair movement from Canada to other foreign markets, and because of tightening import restrictions abroad. Domestic milling demand, however, was adequate to prevent accumulation of United States visible supplies at the rate of a year ago. Prices in the United States have advanced about 7 per cent over July to the highest level since early June, coincident with a gain in 1932 of but 1/2 per cent in production of thirty-four countries and with indications of a slight decline from last year in world stocks of old wheat. Moreover, the spread between Chicago and Liverpool has become a little more attractive to exporters in recent weeks.

Corn receipts at interior primary markets in the United States showed a marked increase in August—contrary to trend—and not only were greater than for any month since July 1931 but totaled only 13 per cent below the 1927-31 average. Demand for this grain was slow, with industries and mill operators the principal buyers. Shipments, therefore, were the lowest since March, totaling 13 1/2 per cent less than last August and 50 per cent below the seasonal volume for the month. Farm stocks are almost twice as heavy as in 1931, and the visible supply, instead of declining as usual, increased 4,000,000 bushels on September 1 over the beginning of August.

Oats were moved in heavier quantities during August than in any other month of the past two years. Both receipts and shipments at primary centers showed exceptionally large gains over the preceding month and a year ago. Furthermore, they fell only slightly below the 1927-31 August average. Visible supplies of this grain have increased at about the usual rate since August 1. After trending downward during most of the month, prices tended to firm at the close.

MOVEMENT OF LIVE STOCK

At public stock yards in the United States, receipts of hogs increased in August over July—contrary to seasonal tendency—and those of cattle, lambs, and calves expanded more than the usual amount. A smaller recession from the 1923-31 average than a month earlier was evidenced in cattle, hog, and calf marketings, and the movement of lambs rose to a relatively high level. Although each class of live stock continued to show a decreased volume from 1931, the recessions were less marked than in July. More-

over, the movement of hogs and calves to inspected slaughter (inclusive of receipts that do not pass through the public yards) increased over last August. Shipments of cattle to feed lots not only were greater than in July but also exceeded seasonal volume; those of lambs expanded over the preceding month but continued to show a decline in the latter comparison.

MEAT PACKING

The volume of production at slaughtering establishments in the United States, instead of falling off from July as is usual, increased 6 per cent in August to a level 2 per cent above a year ago and to within $4\frac{1}{2}$ per cent of the 1922-31 average. An improvement likewise was reflected in sales. The value of packing-house commodities billed to domestic and foreign customers aggregated 3 per cent greater than in the preceding period, and the recession of 28 per cent from last year was less than evidenced in earlier months of 1932. Furthermore, the tonnage sold was 5 per cent heavier than in July and totaled only $3\frac{1}{2}$ per cent lighter than that of last August. On the other hand, payrolls at the close of the current period reflected an increase over July of only one per cent in number of employees and hours worked, with practically no change in wage payments. Although inventories of packing-house products in the United States decreased less than a seasonal amount on September 1 from a month earlier, they were 45,000,000 pounds smaller than a year ago and 165,000,000 pounds below the 1927-31 average. Prices held fairly steady.

August shipments for export declined in the aggregate from July, although a number of reporting firms experienced an increase in this item. Foreign demand for American lard and fats was only fair and continued to be confined largely to stocks already landed. Moreover, most of this trade was transacted with the United Kingdom and with Germany. Very little forward buying of any kind was reported, and the demand for meats remained extremely quiet. Continental quotations for lard were approximately on a parity with Chicago, but those of the United Kingdom were at a discount; meat prices in Europe remained unattractive to United States exporters.

DAIRY PRODUCTS

An improvement was shown during August in the butter industry of the Seventh Federal Reserve district. Manufacturing operations decreased less than a seasonal amount from July— $7\frac{1}{2}$ per cent—and were not only on a level with a year ago but also within 13 per cent of the 1923-31 average. Although the sales tonnage of this commodity fell off 5 per cent from the preceding month, it aggregated only $6\frac{1}{2}$ per cent less than last August and 11 per

cent below seasonal volume. Creamery butter production in the United States also declined from July but appears to have been greater than in the corresponding month of 1931. September 1 inventories of the commodity in the United States were slightly heavier than those of a year ago, but totaled 35,000,000 pounds less than the 1927-31 average. Prices averaged about 9 per cent higher than in July.

The manufacture of American cheese in Wisconsin was reduced $15\frac{1}{2}$ per cent during the five weeks ended September 3 from the preceding period, as compared with an average recession of 18 per cent. Moreover, the decline from last year and the seasonal level was less marked than a month earlier. Inasmuch as distribution failed to remain as close to production as usual in August, it not only showed a recession of $18\frac{1}{2}$ per cent from the preceding period but also fell off 19 per cent from last August. Total inventories of cheese in the United States expanded slightly on September 1 over the beginning of August but remained considerably below those of 1931 and the 1927-31 average. Prices advanced approximately 20 per cent over July.

Industrial Employment Conditions

Curtailed operations in automobile plants were largely responsible for the further loss shown during August in Seventh district employment and earnings, the total for ten manufacturing groups declining 3 per cent in number employed and 8 per cent in payrolls. Five of these industries not only increased the number of wage earners but also had heavier payrolls—leather products, textiles, wood products, food, and metals; the gains in leather products and metal, alone, were seasonal in nature. The curtailment in the vehicles group was the largest yet recorded for August, and contrasted with gains in several previous years, and the recession in the paper and printing group was contrary to trend for the month.

In non-manufacturing groups, two of the industries, coal mining and construction, gained in both employment and wage payments, but the large increases shown in coal mining were again of little importance because the nine reporting mines had only 628 employees. The merchandising and public utility groups followed the downward trend

EMPLOYMENT AND EARNINGS—SEVENTH FEDERAL RESERVE DISTRICT

INDUSTRIAL GROUP	WEEK OF AUGUST 15, 1932			CHANGE FROM JULY 15	
	REPORTING FIRMS No.	WAGE EARNERS No.	EARNINGS (000 OMITTED) \$	WAGE EARNERS %	EARNINGS %
Metals and Products ¹	718	108,573	1,693	+0.8	+8.1
Vehicles.....	151	171,262	3,264	-10.0	-23.1
Textiles and Products.....	140	26,696	382	+3.5	+35.6
Food and Products.....	331	57,331	1,122	+1.5	+0.8
Stone, Clay, and Glass.....	142	6,489	115	-1.8	-0.9
Wood Products.....	261	18,559	213	+3.3	+9.0
Chemical Products.....	100	12,204	251	-1.3	-2.9
Leather Products.....	70	15,184	228	+7.2	+20.8
Rubber Products ²	7	4,895	98	-10.7	+0.7
Paper and Printing.....	294	37,257	802	-1.5	-1.6
Total Mfg., 10 Groups....	2,214	458,450	8,168	-3.4	-8.0
Merchandising ³	162	25,228	548	-1.5	+0.3
Public Utilities.....	73	80,412	2,318	-1.3	-1.2
Coal Mining.....	9	628	7	+210.9	+71.4
Construction.....	338	10,419	227	+5.6	+9.3
Total Non-Mfg., 4 Groups.	582	116,687	3,100	-0.4	-0.1
Total, 14 Groups.....	2,796	575,137	11,268	-2.8	-6.0

¹Other than Vehicles. ²Michigan and Wisconsin. ³Illinois and Wisconsin.

LIVE STOCK SLAUGHTER (In thousands)

	CATTLE	HOGS	LAMBS AND SHEEP	CALVES
Yards in Seventh District, August 1932.....	190	607	401	86
Federally Inspected Slaughter, United States August 1932.....	633	2,970	1,579	362
July 1932.....	614	2,802	1,384	324
August 1931.....	727	2,500	1,598	357

AVERAGE PRICES OF LIVE STOCK (Per hundred pounds at Chicago)

	WEEK ENDED SEPT. 17 1932	AUGUST 1932	MONTHS OF JULY 1932	AUGUST 1931
Native Beef Steers (average)...	\$8.20	\$7.90	\$7.95	\$8.50
Fat Cows and Heifers.....	5.35	5.10	5.35	6.15
Calves.....	7.75	6.15	5.85	8.75
Hogs (bulk of sales).....	4.15	4.25	4.65	6.05
Yearling Sheep.....	4.40	4.25	4.65	5.30
Lambs.....	5.65	5.25	5.90	6.55

of the district in number employed, the former, however, registering a slight gain in payrolls.

The percentage decline in total employment during August was slightly less this year than in 1931, but payroll reductions aggregated much heavier, the loss of 6 per cent in the latter item comparing with a recession of only one per cent last year. Current data, therefore, show that the number of men employed remained about 22 per cent smaller than a year ago, while their earnings dropped to almost 40 per cent below the same period of 1931, as against a decline for July in this comparison of but 34 per cent.

Manufacturing

AUTOMOBILE PRODUCTION AND DISTRIBUTION

Production of automobiles continued to be curtailed during August, the number of passenger cars manufactured in the United States totaling only 75,898 for the period and that of trucks 14,417. These aggregates represent recessions of 20 and 12 per cent, respectively, from a month previous and of 51 and 55 per cent from a year ago.

Distribution of automobiles, on the other hand, showed a more favorable trend. Sales at wholesale in the Middle West, as reflected in reports of representative firms, increased 10 per cent in number over July and 5 per cent in value, while sales to consumers by reporting dealers were $1\frac{1}{2}$ per cent smaller in number but 5 per cent heavier in value. Used car sales, though slightly under the preceding month, recorded a decline of only 7 per cent from last year, with half the firms reporting increased sales in this latter comparison. Stocks of new cars in dealers' hands on August 31 were but half those of a year ago, and used car stocks remained substantially smaller. The ratio of deferred payment sales to total retail sales of dealers reporting the item was 51 per cent for August, as against 56 per cent in July and 51 per cent last year.

IRON AND STEEL PRODUCTS

Little tangible improvement has as yet taken place in the steel industry of this district, with steel ingot output holding through August and early September at between 12 and 13 per cent of capacity and only a slight gain being noted in orders from various sources. Sentiment, however, has improved noticeably in recent weeks, and steel requirements are expected by the industry to show early expansion. Finished steel prices have held fairly well to previous levels; scrap iron and steel have registered further price advances, heavy melting steel at Chicago being

quoted at \$6.25 per ton on September 13, as against \$5.25 at the beginning of August, and No. 1 railroad wrought iron standing at \$5.25 on the first-named date against \$4.00 the beginning of August. (Iron Age.)

A sharp expansion occurred during August in orders booked by steel and malleable casting foundries, reducing considerably the spread between the current and year-ago volume. The tonnage booked by reporting steel casting foundries increased 48 per cent over the preceding month, and that by malleable foundries gained 22 per cent. Production was accelerated at both types of foundries. Shipments of steel castings decreased one per cent in tonnage from July, while those of malleable castings expanded 10 per cent—both changes in line with seasonal trend, although malleable castings showed a decline in the item over the same period last year. August shipments of stoves and furnaces by reporting manufacturers recorded a heavier than usual gain over the preceding month, expanding 55 per cent in the comparison, as against an increase in the seasonal average of 37 per cent and a gain last year of but 25 per cent. New orders booked totaled larger by $51\frac{1}{2}$ per cent than in July, whereas in August a year ago an increase of only 20 per cent was shown. Shipments and orders, however, were 42 and 46 per cent smaller, respectively, than in the same month of 1931.

FURNITURE

Orders booked by Seventh district furniture manufacturers reporting to this bank continued to expand during August: total bookings for the month exceeded the July aggregate by 10 per cent, whereas, during the past few years—the year 1931 excepted—the period has been marked by a falling-off in new orders of from 15 to 25 per cent. Shipments, following upon the July expansion in orders booked, gained 36 per cent over a month previous, which compares with an average increase of 33 per cent over the five-year period, 1927-1931. The ratio of unfilled orders to current orders was little changed during the month, the total outstanding on August 31 amounting to 99 per cent of orders booked. The rate of operations approached 32 per cent of capacity, a gain of 6 points over July; that of August last year was 49 per cent. In comparison with year-ago totals, orders booked were 52 per cent less, shipments 49 per cent smaller, and unfilled orders 53 per cent lower.

SHOE MANUFACTURING, TANNING, AND HIDES

After having been reduced during July to the lowest point on record, shoe manufacturing operations in the

MIDWEST DISTRIBUTION OF AUTOMOBILES
Changes in August 1932 from Previous Months

	PER CENT CHANGE FROM		COMPANIES INCLUDED
	JULY 1932	AUGUST 1931	
New Cars			
Wholesale—			
Number Sold.....	+10.4	-53.2	15
Value.....	+5.3	-60.8	15
Retail—			
Number Sold.....	-1.5	-38.6	40
Value.....	+5.2	-34.7	40
On Hand August 31—			
Number.....	-10.8	-50.7	40
Value.....	-14.2	-58.5	40
Used Cars			
Number Sold.....	-1.9	-7.1	40
Salable on Hand—			
Number.....	-13.5	-26.4	40
Value.....	-21.1	-37.3	40

LUMBER AND BUILDING MATERIALS TRADE

CLASS OF TRADE	AUGUST 1932: PER CENT CHANGE FROM		NUMBER OF FIRMS OR YARDS
	JULY 1932	AUGUST 1931	
Wholesale Lumber:			
Sales in Dollars.....	+12.2	-46.3	13
Sales in Board Feet.....	+12.6	-32.9	11
Accounts Outstanding ¹	-0.2	-29.9	12
Retail Building Materials:			
Total Sales in Dollars.....	+11.7	-35.6	174
Lumber Sales in Dollars.....	-8.2	-38.4	29
Lumber Sales in Board Feet.....	-5.7	-37.2	79
Accounts Outstanding ¹	-0.7	-25.6	171
Ratio of accounts outstanding ¹ to dollar sales during month			
	AUGUST 1932	JULY 1932	AUGUST 1931
Wholesale Trade.....	220.3	247.0	168.3
Retail Trade.....	394.6	442.5	341.4

¹End of Month.

Seventh Federal Reserve district were increased 71 per cent in August to a level higher than for any other month since September 1930 and only 12½ per cent under the 1923-31 average. A sharp expansion likewise took place in leather production and sales, but this industry continued to show a considerable decline from 1931. Prices tended to strengthen.

Chicago trading in packer green hides decreased in August from July and sales of calf skins remained exceptionally limited. Total shipments from the city decreased, though purchases by district tanneries increased. Quotations advanced during the month.

Building Materials, Construction Work

Somewhat more favorable factors developed in building materials lines during August in the Seventh Federal Reserve district. Movement of lumber at wholesale increased more than seasonally over July, as did retail sales of building materials, following a decline shown in the July-June comparison. Cement shipments continued to expand. Prices on all lines of building materials remained firm during the month; in certain localities, a slight upward trend is apparent.

Wholesalers reported a gain of 12 per cent over July in dollar sales, which compares with a five-year average increase between July and August of 5 per cent; a gain, amounting to 13 per cent, was also registered in board-foot sales. Declines from a year ago in value and volume totaled 46 and 33 per cent, respectively. Reporting retail yards had a gain of 12 per cent in sales of all materials during August over the preceding month, as against a five-year average increase of 8 per cent. Dollar sales of lumber at retail declined 8 per cent from July, and the board-foot decrease in the same comparison was 6 per cent. Accounts-sales ratios at wholesale and retail yards were materially reduced during August, accounts outstanding declining in the face of increased dollar sales. Continued reduction of stocks was reported by both types of yards.

Cement shipments from midwestern mills totaled 21 per cent larger than during July—continuing the seasonal expansion—while production declined 7 per cent from a month previous. Stocks of these mills at the end of August were at the lowest level since November 1929. Clay products manufacturers continued to report only a very light demand for brick and tile.

BUILDING CONSTRUCTION

A slight improvement was shown during August in building construction activity of the Seventh Federal Reserve district, according to total building contracts awarded, which registered a gain in valuation of 5½ million dollars over the low figure for July. Residential awards, which comprised only 9 per cent of the total, likewise increased.

WHOLESALE TRADE IN AUGUST 1932

COMMODITY	PER CENT CHANGE FROM SAME MONTH LAST YEAR				RATIO OF ACCTS. OUTSTANDING TO NET SALES
	NET SALES	STOCKS	ACCTS. OUTSTAND.	COLLECTIONS	
Groceries.....	-24.3	-25.4	-14.4	-27.0	110.2
Hardware.....	-28.8	-17.1	-15.7	-32.3	333.7
Dry Goods.....	-31.4	-35.9	-29.8	-30.8	332.0
Drugs.....	-22.1	-18.2	-3.8	-23.1	239.9
Shoes.....	-34.8	-28.6	-48.8	-24.9	267.3
Electrical Supplies.....	-43.0	-31.4	-23.6	-47.2	244.7

BUILDING CONTRACTS AWARDED* SEVENTH FEDERAL RESERVE DISTRICT

PERIOD	TOTAL CONTRACTS	RESIDENTIAL CONTRACTS
August 1932.....	\$21,698,427	\$1,950,677
Change from July 1932.....	+35%	+1%
Change from August 1931.....	-51%	-75%
First eight months of 1932.....	\$148,478,535	\$18,925,772
Change from same period 1931.....	-56%	-73%

*Data furnished by F. W. Dodge Corporation.

Permits issued in 104 cities of the district aggregated only 8 per cent below July in the estimated cost of proposed work, while the number issued gained 25 per cent. The declines from a year ago remained large, however, totaling 71 and 33 per cent, respectively. Two of the larger cities—Milwaukee and Des Moines—recording heavy declines from July in estimated cost, of 70 and 95 per cent, respectively, were, because of their comparatively large volume in that month, responsible for the declines shown for the district in the comparison. Exclusive of the other three large cities—Chicago, Detroit, and Indianapolis, which all registered gains—the total for 99 reporting cities recorded an increase of 113 per cent over a month previous in value of permits issued.

Merchandising

August, with two more trading days than in the preceding month and one more than last year, showed heavier gains than usual over July and smaller declines from a year ago than a month previous for several phases of merchandising activity in the Seventh district.

In wholesale trade, grocery sales expanded 9 per cent over the preceding month, hardware 4 per cent, dry goods 26 per cent, drugs 14 per cent, and shoes 58 per cent, while electrical supplies declined 3 per cent in the comparison. The gains in groceries, dry goods, drugs, and shoes were greater than seasonal, and that in hardware was contrary to trend. The recession in the electrical supply trade was much smaller than last year when a 16 per cent decline was recorded. The grocery, hardware, and drug trades likewise showed moderate declines last August, as against the increases for the current period. Comparisons with a year ago were more favorable in all groups than in July, which month in general had shown the heaviest decreases yet recorded in this comparison. For the first eight months of 1932 declines from the same period of 1931 totaled as follows in the various lines: groceries 22 per cent, hardware 27 per cent, dry goods 33 per cent, drugs 22 per cent, shoes 42 per cent, and electrical supplies 43 per cent. Reports indicate a continued tendency toward steadiness in prices.

The increase of 12 per cent in August department store trade, as compared with the preceding month, equaled the

DEPARTMENT STORE TRADE IN AUGUST 1932

LOCALITY	PER CENT CHANGE AUGUST 1932 FROM AUGUST 1931		PER CENT CHANGE FIRST EIGHT MONTHS 1932 FROM SAME PERIOD 1931		RATIO OF AUG. COLLECTIONS TO ACCOUNTS OUTSTANDING END OF JULY	
	NET SALES	STOCKS END OF MONTH	NET SALES		1932	1931
Chicago.....	-26.3	-33.5	-28.1		21.0	26.8
Detroit.....	-30.7	-20.2	-25.0		25.0	26.2
Indianapolis.....	-26.1	-23.6	-22.4		33.6	36.1
Milwaukee.....	-27.5	-23.2	-26.4		29.2	32.7
Other Cities.....	-32.8	-23.1	-28.3		23.4	28.3
7th District...	-28.5	-27.7	-26.9		24.8	28.3

expansion shown in the ten-year average for the period and contrasted with a gain of only 7 per cent in the corresponding month last year. Conditions varied considerably as among the various cities of the district, sales in Detroit gaining but 5 per cent, those in Milwaukee 10 per cent, while Chicago stores recorded a 13 per cent increase, Indianapolis firms one of 14 per cent, and the total for stores in smaller cities gained 22 per cent. Daily average sales, however, showed an expansion for the district of only 5½ per cent in August over July. The decline of 28½ per cent from last August in the total was somewhat smaller than in a similar comparison for July, but the decrease in daily average sales was slightly heavier than that shown in the aggregate. The first increase in stocks since the end of March took place on August 31, but the gain of one per cent over July was considerably less than seasonal. The rate of stock turnover for the month was the same as that a year ago.

Retail shoe trade in the Seventh district increased 2½ per cent in August over the level of the preceding month, contrary to seasonal trend, and sales totaled about one-

third less than those of last August, according to reports furnished by representative dealers and department stores. In the eight months of 1932, sales were 26 per cent less than in the same period of 1931. Stocks increased 8 per cent in August, but are being held to a low level.

The increase of 33 per cent over July in August furniture sales compared with a seasonal gain of 27 per cent for the month. The expansion this year, as reported by dealers and department stores, compared with an increase of only 18 per cent in August 1931, while the gain in installment sales of 46 per cent compared with one of 19 per cent last year. Both total and installment sales in the current period were approximately one-third below August a year ago. A further decline took place in stocks during the period, and they remained well below last year.

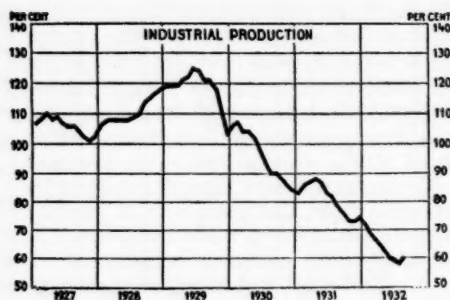
Most lines of chain store trade reporting to this bank showed a decrease in sales during August, so that the total for fourteen chains was 4 per cent below July and almost 20 per cent under August a year ago. The data cover sales by grocery, drug, five-and-ten-cent stores, cigar, shoe, men's clothing, and musical instrument chains.

MONTHLY BUSINESS INDICES COMPUTED BY FEDERAL RESERVE BANK OF CHICAGO

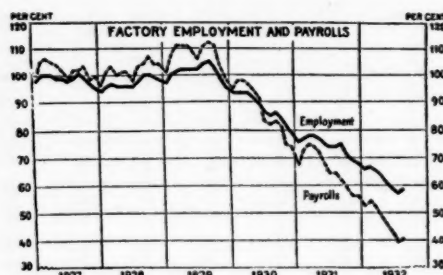
(Index numbers express a comparison of unit or dollar volume for the month indicated, using the monthly average for 1923-1924-1925 as a base, unless otherwise indicated. Where figures for latest month shown are partly estimated on basis of returns received to date, revisions will be given the following month. Data refer to the Seventh Federal Reserve district unless otherwise noted.)

	No. of Firms	Aug. 1932	July 1932	June 1932	May 1932	Apr. 1932	Mar. 1932	Aug. 1931	July 1931	June 1931	May 1931	Apr. 1931	Mar. 1931
Meat Packing—(U. S.)—													
Sales (in dollars).....	63	54	52	50	51	52	53	75	76	75	77	78	79
Casting Foundries—													
Shipments:													
Steel—In Dollars.....	14	10	9	11	13	13	17	23	26	29	38	39	44
In Tons.....	14	9	9	10	13	13	17	22	24	27	39	37	42
Malleable—In Dollars.....	21	8	7	11	12	13	17	20	21	26	31	34	34
In Tons.....	21	13	12	19	21	23	30	32	34	42	51	54	53
Stoves and Furnaces—													
Shipments (in dollars).....	11	47	31	43	51	54	53	79	63	65	84	94	77
Furniture—													
Orders (in dollars).....	18	22	20	13	19	26	32	46	35	56	39	49	61
Shipments (in dollars).....	18	20	14	15	23	28	37	39	42	33	47	59	64
Flour—													
Production (in bbls.).....	25	123	106	111	104	109	110	130	114	90	89	95	95
Output of Butter by Creameries—													
Production.....	67	109	118	141	141	102	96	109	122	153	146	108	91
Sales.....	69	101	106	130	113	95	97	108	115	140	117	102	91
Wholesale Trade—													
Net Sales (in dollars):													
Groceries.....	29	65	59	71	66	68	70	84	92	84	81	84	83
Hardware.....	12	36	35	54	50	52	40	51	59	65	64	73	56
Dry Goods.....	9	28	22	29	32	34	35	41	38	46	51	55	51
Drugs.....	13	59	52	66	64	67	72	76	78	83	79	87	85
Shoes.....	6	38	25	33	34	31	35	55	48	54	60	68	63
Retail Trade (Dept. Stores)—													
Net Sales (in dollars):													
Chicago.....	23	45	39	59	60	63	62	60	58	84	83	94	83
Detroit.....	5	54	51	78	86	89	80	78	71	101	109	126	109
Indianapolis.....	5	50	44	67	67	75	70	67	61	87	93	94	88
Milwaukee.....	5	53	48	67	71	81	72	73	75	95	99	112	93
Other Cities.....	45	46	38	56	60	67	61	69	57	80	86	95	78
Seventh District.....	83	48	42	63	66	71	66	67	62	88	90	101	88
Automobile Production (U. S.)—													
Passenger Cars.....	26	32	55	54	41	34	53	63	72	93	98	79	79
Trucks.....	38	44	60	70	73	52	84	91	107	121	133	120	120
Building Construction—													
Contracts Awarded (in dollars):													
Residential.....	7	7	10	10	9	8	27	20	26	30	36	52	52
Total.....	32	24	27	36	24	31	64	59	55	61	67	101	101
Iron and Steel—													
Pig Iron Production:*													
Illinois and Indiana.....	22	26	29	30	32	37	44	50	61	76	86	84	84
United States.....	17	19	21	26	29	32	42	48	56	66	69	67	67
Steel Ingot Production—(U. S.)*.....	23	24	26	32	36	39	50	55	61	74	80	88	88
Unfilled Orders U. S. Steel Corp....	41	41	43	46	49	52	66	71	73	76	82	84	84

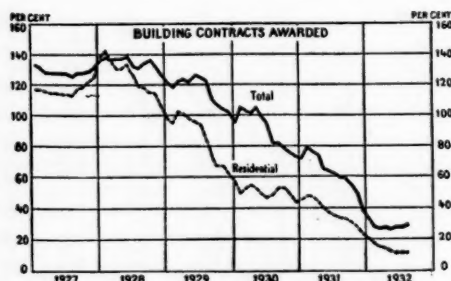
*Average daily production.



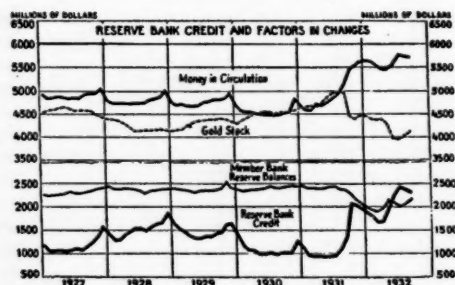
Index number of industrial production, adjusted for seasonal variation (1923-25 average = 100).



Indexes of factory employment and payrolls, without adjustment for seasonal variation (1923-25 average = 100).



Indexes based on 3-month moving averages of F. W. Dodge data for 37 Eastern States, adjusted for seasonal variation (1923-25 average = 100).



Monthly averages of daily figures. Latest figures, averages of first 21 days in September 1932.

NATIONAL SUMMARY OF BUSINESS CONDITIONS

(By the Federal Reserve Board)

VOLUME of industrial production increased from July to August by considerably more than the usual seasonal amount, reflecting chiefly expansion in activity at textile mills. Wholesale prices advanced during August, and the general level prevailing in the first three weeks of September was somewhat higher than in other recent months. There was a further growth in the country's stock of monetary gold and a non-seasonal return flow of currency to the reserve banks.

PRODUCTION AND EMPLOYMENT

Industrial output increased substantially in August and the Board's seasonally adjusted index showed an advance from 58 to 60 per cent of the 1923-25 average. Activity at cotton, woolen, silk, and rayon mills increased from the low level of other recent months by considerably more than the usual seasonal amount, and there was also a substantial increase in activity at shoe factories. Output of automobiles, however, declined further and production in the steel and lumber industries showed none of the usual seasonal increase in August. During the first three weeks of September, there was a slight advance in steel output.

Employment at factories increased slightly more than is usual at this season. There were large additions to working forces in the textile, clothing, and leather industries, while in the automobile, tire, and machinery industries and at carbuilding shops the number employed decreased further. Aggregate wage payments increased less than seasonally.

Building contracts awarded up to September 15, as reported by the F. W. Dodge Corporation, indicate that for the third quarter the total value of contracts will be about the same as for the second quarter, whereas usually awards for the third quarter are smaller. Currently, contracts for public works are a considerably larger part of the total than they were at the beginning of the year and residential contracts are a smaller part.

Department of Agriculture crop estimates, based on September 1 conditions, indicate little change in prospects during August. Indicated crops of wheat and tobacco are considerably smaller than in other recent years, while the corn crop is the largest since 1925. The cotton crop is estimated at 11,300,000 bales, a decrease of about 6,000,000 bales from the large crop of a year ago.

DISTRIBUTION

Volume of merchandise and other freight handled by the railroads increased seasonally during August, while during the corresponding period a year ago no increase was reported. Department store sales of merchandise increased from July to August by somewhat less than the usual seasonal amount.

WHOLESALE PRICES

Wholesale commodity prices advanced from 64.5 per cent of the 1926 average in July to 65.2 per cent in August, according to the monthly index of the Bureau of Labor Statistics. During August prices of many leading commodities including textile raw materials and finished products, wheat, hides, nonferrous metals, sugar, rubber, and coffee, increased substantially. In the first half of September, there were declines in the prices of many of these commodities, while prices of wool and woolen goods, cattle, and hides advanced.

BANK CREDIT

During recent weeks further growth in monetary gold stock, a return flow of currency from hoards, and new issues of national bank notes have resulted in additions to the reserve funds of member banks. These banks have employed a part of the funds in further reducing their borrowings at the reserve banks and have accumulated a part as reserve balances, which at the present time are more than \$300,000,000 in excess of required reserves. Reserve bank holdings of United States Government securities and of acceptances remained practically unchanged during the four weeks ending September 14, while the total of reserve bank credit declined by \$43,000,000 through the reduction of discounts for member banks.

Loans and investments of reporting member banks in leading cities showed little change between the middle of August and the middle of September. A further decline of more than \$150,000,000 in loans by banks outside New York City during the past four weeks was offset in large part by a continued increase in investment holdings, chiefly at member banks in New York City. There was a considerable growth in deposits of reporting member banks, reflecting in part larger balances held by city banks for the account of other banks.

Money rates in the open market remained unchanged at low levels during August and the first half of September.

